

Washington State Auditor's Office

Audit Report

San Juan County Conservation District No. 3

Audit Period

January 1, 1997 through December 31, 1999

Report No. 62110

Issue Date
April 6, 2001



Washington _____
State Auditor

Brian Sonntag

Audit Summary

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

ABOUT THE AUDIT

This report contains the results of our annual independent audit of San Juan County Conservation District No. 3 for the period January 1, 1997, through December 31, 1999.

We performed audit procedures to determine whether the District complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated internal controls established by District management. Our work focused on specific areas that have potential for abuse or misuse of public resources.

RESULTS

The District complied with state laws and regulations and its own policies and procedures in the areas we examined.

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Description of the District

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

ABOUT THE DISTRICT

San Juan County Conservation District No. 3 is in San Juan County. The District establishes and carries out programs to protect and conserve soil, water, prime and unique farmland, range land, woodland, wildlife, energy and other renewable resources on local, nonfederal lands. The District is governed by a five-member Board of Supervisors, of whom three are elected by District residents and two of whom are appointed by the State Conservation Commission. The majority of the District's revenue is derived from local, state and federal grants as well as an annual tree sale fundraiser. In 1999, the District spent \$183,000 and had two employees.

ELECTED/APPOINTED OFFICIALS

These officials served during the audit period:

Board of Supervisors:

Elected Positions:

William Humes (term expired 3/99)
Jerry Kasperek (elected 3/99)
Howard Cole (resigned 4/99)
Bill Humes (appointed 8/99)
John Bradley (term expired 3/98)
Jennifer deChadenedes (3/98 to 4/99)
Tom Schroeder (4/99 to 8/99)
Henning Sehmsdorf (appointed 9/99)

Appointed by the Conservation
Commission:

Vicki Heater
Karin Fuhring

ADDRESS

District Mailing Address:

350 Court Street #10
Friday Harbor, WA 98250

District Street Address:

540 Guard Street #130 and #150
Friday Harbor, WA 98250

Audit Areas Examined

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

In keeping with general auditing practices, we do not examine every portion of the San Juan County Conservation District No. 3's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Open Public Meetings Act
- Conflict of interest laws and regulations

INTERNAL CONTROL

We evaluated the following areas of the District's internal control structure:

- Cash disbursements
- Cash receipting
- Authorized pay

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Overall presentation of the financial statements
- Cash and investments

Audit Overview

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

AUDIT HISTORY

The prior audit of San Juan County Conservation District No. 3 covered a five-year period. That audit reported one finding. The issue identified in the prior year does not appear to be thoroughly resolved and again has been communicated to management.

CONCLUSIONS

In the areas we examined, we found the District complied with state laws and regulations and its own policies and procedures. We also found the District's financial statements were accurate and complete.

We thank District officials and personnel for their assistance and cooperation during the audit.

Status of Prior Audit Findings

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

The status of findings contained in prior audit reports of San Juan County Conservation District No. 3 is provided below:

Findings this audit: 0
Findings last audit: 1
Number of repeat findings: 0

1. The San Juan County Conservation District should improve internal controls over its receipting system.

Background

The District did not consistently receipt all revenues using official District receipts, deposit receipts in a timely manner and intact or maintain adequate documentation.

Status

Although the District has made improvements, our review found the above concerns have not been completely resolved during the period under audit. These concerns have been communicated to management.

Independent Auditor's Report on Compliance with State Laws and Regulations

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

Board of Supervisors
San Juan County Conservation District No. 3
Friday Harbor, Washington

We have audited the financial statements of San Juan County Conservation District No. 3, San Juan County, Washington, as of and for the years ended December 31, 1999, 1998 and 1997, and have issued our report thereon dated February 22, 2001.

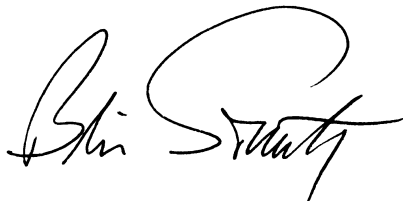
We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the District complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the District's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the District and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the District complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

However, we noted certain matters involving noncompliance not significant enough to report as findings that we have reported to management of the District in a separate letter dated March 14, 2001.

This report is intended for the information of the audit committee, management, and the Board of Supervisors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

February 22, 2001

Independent Auditor's Report on Financial Statements

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

Board of Supervisors
San Juan County Conservation District No. 3
Friday Harbor, Washington

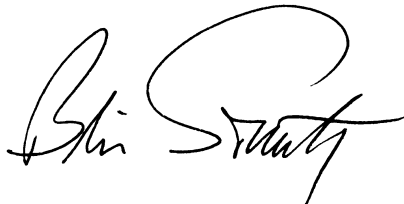
We have audited the accompanying financial statements of San Juan County Conservation District No. 3, San Juan County, Washington, for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the District prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of San Juan County Conservation District No. 3 for the years ended December 31, 1999, 1998 and 1997, on the cash basis of accounting described in Note 2.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State and Local Financial Assistance are presented for purposes of additional analysis. These schedules are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.



BRIAN SONNTAG, CGFM
STATE AUDITOR

February 22, 2001

Financial Statements

San Juan County Conservation District No. 3 January 1, 1997 through December 31, 1999

FINANCIAL STATEMENTS

Resources and Uses Arising from Cash Transactions – 1999
Resources and Uses Arising from Cash Transactions – 1998
Resources and Uses Arising from Cash Transactions – 1997
Notes to Financial Statements – 1999, 1998 and 1997

ADDITIONAL INFORMATION

Schedule of Financial Assistance – 1999
Schedule of State and Local Financial Assistance – 1998
Schedule of State and Local Financial Assistance – 1997